

2015 Grand Avenue
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“ I know of no more encouraging fact than the unquestioned ability of a man to elevate his life by conscious endeavor. ”
-HENRY DAVID THOREAU



FROM LEFT TO RIGHT

Roger Caudron
Sioux City

Steve Adams
Red Oak

Carmela Brown
Des Moines

Virginia Bordwell
Washington

Douglas Walter
Bettendorf

Vincent Lintz
Des Moines

Kay Anderson
LeMars

Heather Kramer
Marion

Dick Wright
Des Moines

Bret Mills
IFA Executive Director

VINCENT LINTZ
Chair



Welcome to the fiscal year 2006 Iowa Finance Authority (IFA) Annual Report.

This year's report focuses on people – the people our programs help, the people who administer our programs, the people who implement our programs and so on. As you read the stories on the following pages and see the results of our work in FY06, you'll quickly realize that people are central to IFA's mission and success.

On behalf of the Iowa Finance Authority Board of Directors, I thank you for taking the time to review this report. Your interest in IFA makes you another of the people who are concerned about community development, including housing and water infrastructure, the pillars of IFA's mission.

If you already take advantage of the initiatives IFA offers, we thank you for your support and look forward to a long relationship with you. If this report is your introduction to IFA, I hope that you'll discover ways to work collaboratively with us.

Together, we can continue to make Iowa the best state it can be.

Sincerely,

Vincent C. Lintz

Vincent C. Lintz
Chair
Iowa Finance Authority Board of Directors



“ No doubt these accomplishments (and countless others) are thanks to the hard work and dedication of countless people. ”



BRET MILLS
Executive Director

Nearly three million people live in Iowa. Thousands of them realize a better quality of life because of the Iowa Finance Authority's programs. Hundreds of them are developers, property managers, lenders and so on who take advantage of our programs. Eighty-six of them work at the Iowa Finance Authority.

This annual report celebrates Iowans and the success of the Iowa Finance Authority. Ours is a story all people can be proud of. Here's why:

- During FYO6, IFA maintained its strong "AA-" rating from Standard & Poor's Rating Services
- During FYO6, IFA's FirstHome program helped a record 2,807 Iowa families buy their first home
- During FYO6, IFA's Title Guaranty Division unveiled several new initiatives that make their product more attractive and easier to use
- During FYO6, the Iowa Legislature reauthorized the Military Service Member Homeownership Assistance program, providing \$2 million that helped 418 military personnel buy homes in the state
- During FYO6, IFA introduced Planning & Design Loans that have helped nearly 20 Iowa communities finance the early stages of water infrastructure projects with zero percent interest loans

No doubt these accomplishments (and countless others) are thanks to the hard work and dedication of countless people, including those who work at the Iowa Finance Authority and those who support our mission. On behalf of the staff, I thank you for your commitment to making Iowa a better place, and I hope that you enjoy this fiscal year 2006 annual report.

Sincerely,

Bret L. Mills

Bret L. Mills
Executive Director

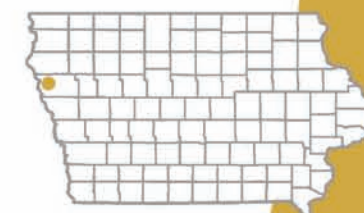
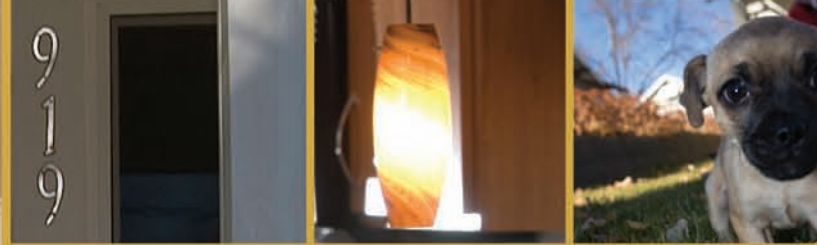


“We had always dreamed of owning our own home, and the Iowa Finance Authority’s FirstHome program made that dream a reality.”

MATT & ANGIE ROBERTSON
Sioux City

Matt and Angie Robertson of Sioux City welcomed a year of change in 2006. In May, using the Iowa Finance Authority’s FirstHome program, Matt purchased a two-bedroom house. The couple married on November 25, and moved into their new home, which had undergone extensive remodeling during the summer. Shortly after their wedding, they adopted a puppy, Tug, who – along with cat, Squeakers – rounds out the family.

Both natives of Sioux City and graduates of Briar Cliff University, Matt and Angie are thankful that the FirstHome program helped them realize their dream of homeownership. Along with Tug and Squeakers, the Robertsons are enjoying the opportunity to make their new house their home.





FirstHome and FirstHome Plus Programs

IFA's oldest program, created in 1977, FirstHome provides affordable mortgage financing to qualified homebuyers. IFA issues tax-exempt mortgage revenue bonds to fund the

program, and mortgage loans are provided to borrowers through a network of participating lenders around the state.

The FirstHome Plus program provides cash assistance of up to 3 percent of the mortgage amount for down payment and closing costs.

ACCOMPLISHMENTS IN FY06:

- Purchased 2,807 loans totaling \$235 million, including \$98 million in FirstHome Plus loans
- Helped 305 minority homebuyers purchase homes
- Homebuyers who used FirstHome or FirstHome Plus purchased homes in 93 Iowa counties

OurHome Rehabilitation Program

IFA offers low-interest loan funds for use by qualifying entities to rehabilitate single-family homes in their communities. The program began in 2005.

ACCOMPLISHMENTS IN FY06:

- Approved loans totaling \$500,000 to four local housing organizations:
 - City of Ames – \$150,000
 - City of Oskaloosa – \$100,000
 - Southeast Iowa Regional Planning Commission, Burlington – \$200,000
 - Southern Iowa Council of Governments, Creston – \$50,000

Military Service Member Homeownership Assistance Program

Administered by IFA and the Iowa National Guard, the Military Service Member Homeownership Assistance program provides dollar-for-dollar matching grants of up to \$5,000 to help members of the military buy homes in Iowa. The program started in March 2005 when the Legislature approved \$1.05 million for it. Those funds were committed in less than nine months. In January 2006, the Legislature renewed the program, dedicating \$2 million, which was fully committed in November.

ACCOMPLISHMENTS IN FY06:

- Provided \$1.989 million in down payment assistance
- Helped 418 military families buy homes
- Program participants purchased homes in 72 counties

Habitat for Humanity of Iowa

In December 2005, the Iowa Finance Authority Board of Directors approved a \$2 million loan to Habitat for Humanity of Iowa (HFH-IA). Under the agreement, IFA made secured loans directly to HFH-IA, which loaned the money to local affiliates. These affiliates used the money to build additional homes for qualified families in Iowa. The IFA loan provided new funds so HFH-IA affiliates could continue to build homes, increasing the state's affordable housing stock.



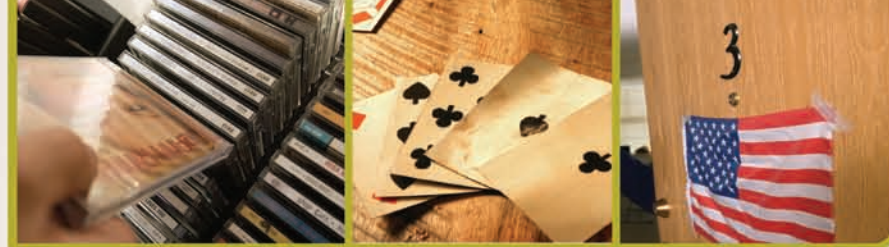


“We’re proud to work together with the Iowa Finance Authority to ensure that our residents are promised the best possible quality of life.”

DEAN DREXEL
Vera French Housing Corporation, Davenport

(Pictured left to right: Dean Drexel and Hank Smith*)

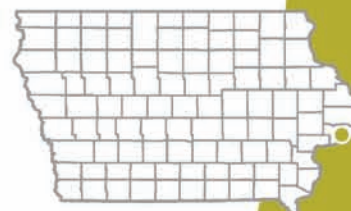
*Name has been changed



Hank Smith* loves music and movies of all kinds, and he happily enjoys them both in his comfortable one-bedroom apartment at Vera French Terrace in Davenport.

Founded in 1994, the Vera French Housing Corporation’s (VFHC) mission is to provide decent, affordable housing and supportive services for people with severe and persistent mental illness. The group successfully applied for Low-Income Housing Tax Credits from the Iowa Finance Authority that recently helped it construct a 10-unit building that offers its residents independent apartments, a relaxing community room, computer area and laundry facilities. Financing the project with tax credits allows VFHC to keep rents low, giving people like Hank a safe place to call home.

VFHC Executive Director Dean Drexel said that his organization is providing critical services to some of the area’s neediest citizens. “The men and women who live at Vera French Housing not only enjoy quality, affordable housing, but they have a peer-supported environment. They live next door to good friends who regularly get together for games of cards, movies or television and meals.”



Low-Income Housing Tax Credits

IFA administers the federal Low-Income Housing Tax Credit program and allocates tax credits to developers of affordable housing. These credits provide a dollar-for-dollar reduction to an investor's federal tax liability on ordinary income. The credits are awarded annually on a competitive basis. Tax credits are sold to investors to generate equity for the housing developments. The Internal Revenue Service annually allocates credits to states based on population.

ACCOMPLISHMENTS IN FY06:

- Allocated \$60 million in tax credits
- Awarded tax credits to 23 housing developments
- Financed 727 new rental units
- Financed 10 developments for older persons and 13 developments for families



Multifamily Housing Loan Program

The Multifamily Housing Loan program seeks to preserve the existing supply of affordable rental units at risk of being lost and to foster the production of new affordable rental units in Iowa.

ACCOMPLISHMENTS IN FY06:

- Closed one loan:
 - RiverWest, Milford – \$509,000
- Approved loans for five organizations:
 - Salisbury Court, Council Bluffs – \$400,703
 - Washington Court, Dubuque – \$623,500
 - Rolling Meadows, Waverly – \$1,055,000
 - Renaissance Park, Waterloo – \$20,000
 - Ecumenical Towers, Iowa City – \$50,000

Senior Living Revolving Loan Fund

The Senior Living Revolving Loan Fund provides first mortgage financing to recipients of Low-Income Housing Tax Credits for the construction of affordable assisted living facilities and service-enriched housing for low-income people with disabilities.

ACCOMPLISHMENTS IN FY06:

- Closed one loan:
 - Prime Living Apartments, Sioux City – \$1,671,235
- Approved two loans:
 - Skyline Center, Clinton – \$370,000
 - The Rose of Waterloo, Waterloo – \$2,000,000

Transitional Housing Revolving Loan Fund

The Transitional Housing Revolving Loan Fund helps provide affordable, transitional apartments for families with one or more parent who participates in a substance abuse treatment program.

ACCOMPLISHMENTS IN FY06:

- Approved two loans:
 - The Way Home, Cedar Rapids – \$700,000
 - Sanctuary Apartments, Sioux City – \$700,000

Home- and Community-Based Rent Subsidy Program

Since 1996, the Home- and Community-Based Rent Subsidy program has provided temporary rental assistance for people who receive medically necessary services through Medicaid waivers until the person becomes eligible for a Housing Choice voucher or any other kind of private or public rent subsidy.

ACCOMPLISHMENTS IN FY06:

- Provided \$647,000 in rent subsidy for up to 434 people

Entrepreneurs with Disabilities Program

The Entrepreneurs with Disabilities program provides technical and financial assistance to help people with disabilities become self-sufficient by establishing or expanding business ventures. In FY06 IFA began

administering the program in a partnership with Iowa Vocational Rehabilitation Services and the Iowa Department for the Blind.

ACCOMPLISHMENTS IN FY06:

- 206 people received technical and financial assistance

Aftercare Rent Subsidy Program

The Aftercare Rent Subsidy program provides financial assistance for youth who are aging out of foster care and are participants in the Aftercare Services program. The program's goal is to teach Iowa youth independence, life skills and renter rights and responsibilities. IFA administers this program through a 28E agreement with the Iowa Department of Human Services.

ACCOMPLISHMENTS IN FY06:

- Provided \$37,639 in rent subsidy to 27 people

Section 8 Contract Administration

IFA holds a performance-based contract with U.S. Department of Housing and Urban Development to provide oversight of select Section 8 properties in Iowa.

ACCOMPLISHMENTS IN FY06:

- Performed compliance at 241 properties representing 12,105 units
- Earned \$2.45 million in administrative fees from HUD
- Earned \$817,574 in incentive fees from HUD



“ We believe that when people are treated with respect, compassion, and dignity, and are given thinking tools to work with, they can indeed flourish and function as regular members of society and not return to prison. ”

MARIO HAYSLETT
Hansen House of Hospitality, Des Moines



Mario Hayslett understands the challenges that face felons upon their release from prison. A former convict and homeless Iowan, Hayslett currently serves as Executive Director of the Doyle Hansen House of Hospitality in Des Moines, which provides men up to 90 days of free room and board immediately after their release from prison.

Founded in 1980, the Hansen House serves up to 10 men at a time and requires that its guests actively seek and obtain employment, refrain from using alcohol and drugs and avoid violent behavior. Under Hayslett's leadership, the Hansen House enjoys a 69 percent success rate.

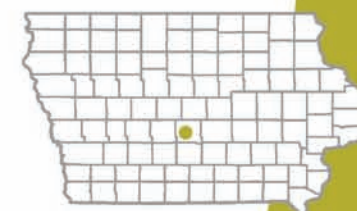
In FY06, the Hansen House received \$28,745 from the Homeless Shelter Operations Grant program, which IFA administers.

Iowa Council on Homelessness

The state of Iowa, through the ICH, is committed to ensuring that all Iowans have access to safe, decent and affordable housing. The ICH and its 36-member council work to identify issues, increase understanding, raise awareness and secure resources that will allow all homeless Iowans to become self-sufficient.

ACCOMPLISHMENTS IN FY06:

- Awarded more than \$1 million from the state's Homeless Shelter Operations Grant (HSOG) program and \$1.4 million from the federal government's Emergency Shelter Grant (ESG) program
- Received and reviewed 130 ESG and HSOG grant applications, and provided funding to 118 applicants
- On behalf of 22 homelessness service providers, IFA received a federal grant of \$4,332,763





“The State Revolving Fund is the best choice to finance all aspects of a construction project, from start to finish.”



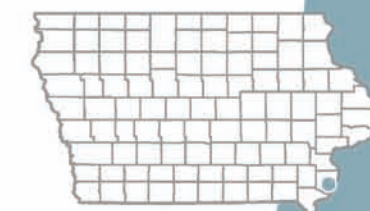
Nearly 35,000 residents of Burlington and its surrounding communities depend on Burlington Water Works to provide safe, quality drinking water. In December 2005, Burlington Water Works was one of the first recipients of a Planning & Design Loan from the Iowa Finance Authority when it received \$205,000 to help repair the city's water mains, refurbish a booster station and replace a water tower.

A few months later, Burlington Water Works conveniently rolled its Planning & Design Loan into a State Revolving Fund Construction Loan, taking advantage of the SRF's below-market interest rate to ensure lower water bills for its residents.

“Using the State Revolving Fund just makes sense,” said Alan Borden of Burlington Water

Works. “We considered other financing options, but the State Revolving Fund is the best choice to finance all aspects of a construction project, from start to finish.”

ALAN BORDEN
Burlington Water Works, Burlington





Planning & Design Loans

In late 2005, IFA introduced Planning & Design Loans, which offered communities and municipalities zero percent interest loans for up to three years to pay the costs associated with the early stages of planning and designing a water or wastewater infrastructure project. Eligible expenses include engineering fees, archaeological surveys, environmental or geological studies and costs related to project plan preparation.

ACCOMPLISHMENTS IN FY06:

- Closed eight drinking water Planning & Design Loans totaling \$1,116,710:
 - City of Humboldt - \$317,300
 - Burlington Water Works - \$205,000
 - City of Welton - \$85,000
 - City of Donahue - \$70,000
 - City of Cambridge - \$75,000
 - Lenox Municipal Utilities - \$69,000
 - City of Bayard - \$99,200
 - Winterset Municipal Utilities - \$196,210
- Closed 11 clean water Planning & Design Loans totaling \$1,430,400:
 - City of Paulina - \$45,000
 - City of Elkader - \$100,500
 - City of McCausland - \$90,000
 - City of Oxford Junction - \$50,000
 - City of Ottumwa - \$330,000
 - City of Iowa Falls - \$300,000
 - Warren Water District - \$94,000
 - City of Colesburg - \$140,000
 - City of Lansing - \$205,900
 - City of Mapleton - \$25,000
 - City of Lester - \$50,000

State Revolving Fund Construction Loan Program

IFA and the Iowa Department of Natural Resources jointly administer the State Revolving Fund for clean water and drinking water. The fund, capitalized by U.S. Environmental Protection Agency grants, provides low-cost financing for community drinking water and wastewater improvement projects.

ACCOMPLISHMENTS IN FY06:

- Closed 20 drinking water loans totaling \$18,373,000
- Closed 25 clean water loans totaling \$56,907,000

Main Street Mortgage Loan Program

IFA's Main Street Mortgage Loan program provides low-interest loans to Iowa Main Street communities for downtown infill and upper-story rehabilitation.

ACCOMPLISHMENTS IN FY06:

- Approved three loans:
 - Gary Bain (Sigourney) - \$182,000
 - Gary Bain (Sigourney) - \$187,100
 - Northwest Lofts, Inc. (Sigourney) - \$163,000

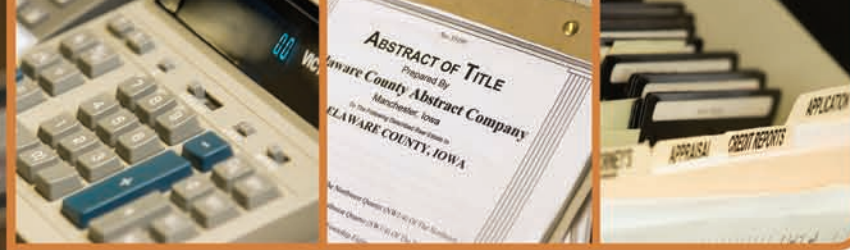
Economic Development Loan Program

IFA's Economic Development Loan program furthers the development and expansion of business, nonprofit organizations and housing in Iowa. Through the program, IFA issues tax-exempt bonds, the proceeds of which are loaned to borrowers to finance qualified projects.

ACCOMPLISHMENTS IN FY06:

- Issued more than \$578 million in tax-exempt bonds for 23 projects in locations around Iowa



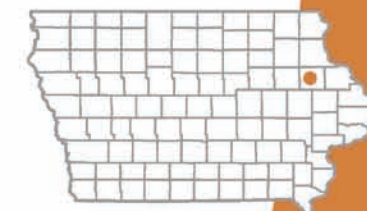


IFA's Title Guaranty Division is committed to the integrity of Iowa's land title system. In partnership with abstractors, attorneys, lenders and real estate professionals across the state, Title Guaranty offers the best protection for Iowa's homebuyers. Teresa Greve, a mortgage lender at F&M Bank in Manchester, recognizes the benefits of Title Guaranty and uses it on her loans so that her bank and its borrowers are ensured the best possible protection against title defects.

"Title Guaranty allows me to provide an additional service to my customers. And using Title Guaranty helps maintain the marketability of land titles while generating revenue for housing programs in the state," Teresa said.

“ Title Guaranty helps maintain the marketability of land titles while generating revenue for housing programs in the state. ”

TERESA GREVE
F&M Bank, Manchester





Title Guaranty Division

In 1985 the Iowa Legislature created Title Guaranty (TGD), a division of the Iowa Finance Authority, to provide guarantees of Iowa real property titles, facilitate mortgage lenders' participation in the secondary market and to help ensure the integrity of the land-title transfer system. Title Guaranty is totally self-supporting, and all revenue in excess of operating expenses subsidizes homeownership programs for first-time homebuyers.

ACCOMPLISHMENTS IN FY06

- Issued 32,143 Certificates, covering nearly \$4 billion worth of Iowa real estate
- Developed a Closing Protection Letter
- Introduced flat fee pricing of \$110 for most residential transactions
- Introduced an online processing system that enables attorneys to issue Title Guaranty Certificates
- Introduced a Non-Purchase product with \$90 flat fee premium and streamlined underwriting for refinances and junior mortgage transactions

Five Title Guaranty Division board members serve staggered six-year terms.

TITLE GUARANTY DIVISION BOARD MEMBERS

- Mitchell Taylor (Chair), Burlington
- Catherine Hult, Bettendorf
- Walter Murphy, New Hampton
- Berneil Preul, Denison
- Surasee Rodari, Des Moines

• TITLE GUARANTY •



Chapter 16 of the Iowa Code requires IFA to report annually to the General Assembly and the Governor on its accomplishments, proposed activities, legislative recommendations and financial information. IFA is also required to report annually on its progress in meeting performance targets and achieving its goal consistent with the Enterprise Strategic Plan. The Annual Performance Report contained on the attached compact disk satisfies those reporting requirements. The CD also contains IFA's complete financial statements and independent auditor's report for FY06.

The Iowa Finance Authority is a self-supporting public agency. No taxpayer dollars were used to create this document.